

# CalPERS 457 Plan Highlights

## Joining the Plan

All employees whose employers have adopted the CalPERS 457 Deferred Compensation Plan are immediately eligible to join the Plan. There are no minimum service requirements to fulfill, and joining is easy. You merely complete an Employee Action Form which you can obtain by calling the CalPERS Information Line at 1-800-260-0659 to request an employee enrollment kit or by contacting your local Plan Representative. Before you join, decide what dollar amount from your pay you want to contribute to the Plan. The amount should not exceed a yearly maximum of \$13,000 for 2004. This elective deferral limit will increase from the 2004 limit of \$13,000.00 in \$1,000.00 annual increments until it reaches \$15,000.00 in 2006. Thereafter, the elective deferral limit will be indexed for inflation in \$500.00 increments. Next, decide how you want your contribution allocated among your choice of investment options. Finally, designate the beneficiaries you want to receive your money in the event of your death. Then sign and return the form to your employer or Plan Representative. It's that easy.

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## Accessing Your Account

An important feature of the CalPERS 457 Plan is your ability to direct your own investments. With the CalPERS 457 Plan, you have ready access to information about your deferred compensation account, including your daily account balance, the price per share of your holdings in the plan, and the performance of your investments. You can transfer funds between investments and perform various transactions concerning your account. Most plan transactions and information requests can be made 24 hours a day, 7 days a week by calling the CalPERS Information Line at 1-800-260-0659.

Your account access is protected by use of your Personal Identification Number (PIN) and your Social Security number. If you need assistance or have forgotten your PIN, Participant Service Representatives are available Monday through Friday, 6:00 AM to 5:00 PM Pacific Time except on New York Stock Exchange holidays to help.

Transactions completed before 1:00 PM Pacific Time will be processed the same day. Transactions completed after 1:00 PM Pacific Time will be processed the next business day.

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## Contributing to the Plan

Contributions to the plan are by salary deferral only. If you have contributed to another 457 plan, you may also transfer funds from that plan to your account with the CalPERS 457 Plan.

You may save a specified dollar amount of your pay on a before-tax basis, subject to the maximum contribution of \$13,000.00 or 100% of compensation for 2004. This elective deferral limit will increase in \$1,000.00 annual increments until it reaches \$15,000.00 in 2006. Thereafter, the elective deferral limit will be indexed for inflation in \$500.00 increments. Contributions will be automatically deducted from your paycheck.

You may change your contribution amount at any time by calling the CalPERS Information Line at 1-800-260-0659 to request an Employee Action Form or by contacting your local Plan representative. Any changes you make to your contribution amount will usually take effect within two pay periods, depending on when you make the change. Contribution changes may be made at any time on the Employee Action Form and must be returned to your employer's benefit or payroll representative for processing.

If you have monies in another 457 plan that you would like to transfer to the CalPERS 457 Plan, you may do so by requesting an Account Transfer Form from your CalPERS Plan Representative or over the CalPERS Information Line. Simply complete the form and return it to your employer for processing. The completed Account Transfer Form must be filed with the plan from which you wish to transfer money, with a copy to CalPERS recordkeeper, CitiStreet, so we know to expect the transfer. It is important that you check with the plan you are transferring from to make sure they have received the transfer request and are executing the transfer in a timely manner.

## Catch-up Provision

Individuals who are age 50 or older by the end of the tax year may contribute additional amounts to the CalPERS 457 Plan above the "applicable deferral limit" for the year. The following table lists the applicable deferral limits through 2006, plus the additional amounts that over age 50 participants may contribute:

Plan Year	Applicable Deferral Limit	Over Age 50 Additional Deferral	Over Age 50 TOTAL
2003	\$12,000	\$2,000	\$14,000

2004	\$13,000	\$3,000	\$16,000
2005	\$14,000	\$4,000	\$18,000
2006	\$15,000	\$5,000	\$20,000

The over age 50 additional contribution amount is in addition to the normal deferral limit for the applicable year. It may not be used at the same time you are using the special catch-up provisions during the three calendar years before your declared normal retirement age. (see below)

The CalPERS 457 Plan also allows you the opportunity to make up for lost time by catching-up on contributions you could have made in previous years but didn't. If you are an employee who is within three calendar years of attaining "normal retirement age", you may use the special catch-up provision to increase your contributions to as much as twice the otherwise applicable deferral limit – for example, using the special catch-up provision in 2003, you could contribute up to \$24,000 total (2 X \$12,000). In order to take advantage of this provision, you must designate a "Normal Retirement Age" by completing and returning a Declaration of Normal Retirement Age and a Catch-up Worksheet to your employer for processing.

Designating your "normal retirement age" is for the purpose of determining the beginning of the three-year catch-up period only. You do not have to actually retire at the age you designate. You may designate your own "normal retirement age" within the range of ages between age 50, the earliest age at which you can take a normal pension allowance, and age 70 1/2, the age at which the IRS requires you to begin distribution from the deferred compensation plan. The following table lists the applicable deferral limits through 2006, plus the available catch-up limits:

Plan Year	Applicable Deferral Limit	Catch-up Amount	Catch-up Limit
2003	\$12,000	\$12,000	\$24,000
2004	\$13,000	\$13,000	\$26,000
2005	\$14,000	\$14,000	\$28,000
2006	\$15,000	\$15,000	\$30,000

When designating a "normal retirement age", you generally should choose an age far enough out (generally four or five years from now) that will give you 3 full calendar years in which to use catch-up before the year you turn the age you have designated. For example, if you will turn age 55 in July of the year 2006, designating 55 as your "normal retirement age" will enable you to increase your contributions in catch-up to double the normal applicable deferral limits during all of calendar years 2003, 2004, and 2005. Beginning January, 2006, the year you in which attain the normal retirement age you have designated, your maximum contribution limit will revert to the over age 50 deferral limit (\$15,000 plus \$5,000 totaling \$20,000) for 2006.

#### Choosing Where to Invest Your Plan Money

The CalPERS 457 Plan offers a line-up of 8 core institutional or "commingled" fund investments designed and managed by CalPERS for consistent long-term performance. These core institutional or "commingled" fund investments span the risk-return spectrum, without duplicating each other in the same risk/return categories. This allows you as an investor to diversify across investment classes with the reliable expectation of receiving consistent long-term returns appropriate for the investment classes you have chosen. It also gives you a clear-cut choice between investments representing different objectives, risk tolerances, and time-horizons. (Refer to the Resource Center in the Education and Planning Section for more information.)

To make the job of properly diversifying your investments easier, we also offer 3 asset allocation funds. These "balanced" asset allocation funds provide a mix of investments allocated among different investment classes in pre-established proportions suited to specific investor profiles. By self-identifying your risk tolerance, you can invest in the balanced fund that best suits your profile as a conservative, moderate or more aggressive investor. This greatly simplifies your decision process regarding how to properly diversify your investments for

meeting your own personal retirement savings goals.

Rounding out our investment line-up are FDIC-insured investment products, and a Self-Managed Account option that provides you greater fund selection and name brand mutual fund access. The FDIC-insured investment products consist of both traditional, and equity-linked CD's. The Equity-Linked CD's offer investors the security of FDIC insurance, guaranteed return of principal and the upside potential to earn stock market returns in a very secure investment vehicle. The Self-Managed Account, if your employer offers this as an option, gives you unparalleled selection to build your own customized investment portfolio by selecting from over 4,000 mutual funds in 300 fund families.

In making your investment selection, you can choose to invest your contributions, in 1% increments adding up to 100%, in any combination of the following:

### **8 Core Funds**

[Money Market Fund](#)

[S&P 500 Equity Index Fund](#)

[International Equity Fund](#)

[Stable Fixed Income Fund](#)

[Russell 2000 Equity Index Fund](#)

[Actively Managed Small-Cap Equity Fund](#)

[Bond Fund](#)

[Actively Managed Large-Cap Equity Fund](#)

### **3 Asset Allocation Funds**

[Conservative Asset Allocation Fund](#)

[Moderate Asset Allocation Fund](#)

[Aggressive Asset Allocation Fund](#)

### **FDIC-Insured Savings Products**

[Insured Money Market Fund](#)

[Certificate of Deposit Options](#)

- One Year Guaranteed Certificate of Deposit\*
- Two Year Guaranteed Certificate of Deposit\*
- Three Year Guaranteed Certificate of Deposit\*

Plus a [Self-Managed Account](#) (If your employer has adopted this option). \* You may change your fund elections at any time by calling the CalPERS Information Line at 1-800-260-0659. Please see the Fund Information section for more information on the funds.

\*Contributions from payroll cannot be made directly to the SMA or the CD funds. For investment in CD's or the SMA, you may direct your contributions to the Insured Money Market Fund, where they can accumulate until you are ready to transfer funds to a CD or the SMA.

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### **Self-Managed Account (SMA)**

The Self-Managed Account (SMA) is a discount brokerage option that gives you the ability to invest in mutual funds you choose from a universe of over 4,000 different Mutual Funds from approximately 300 fund families, and over 600 no load/no fee funds.

Not all employers offer the SMA, but if yours does, you may open an SMA account with an initial investment of at least \$1,000 transferred from any of the CalPERS core funds. After the initial investment, you may continue investing in the SMA by transferring money from the core funds in increments of \$250 or more, provided you always maintain at least \$1,000 in the CalPERS core funds (most participants meet this requirement by maintaining a \$1,000 balance in the Insured Money Market Fund).

When you invest through the SMA, you will receive a prospectus and other applicable disclosure notices and information from State Street Global Markets on each mutual fund in which you intend to invest. You are free to choose any of the 4,000 mutual fund investments that are offered by the SMA. Virtually all asset classes and investment styles are represented among the mutual funds that are available through the SMA, including domestic and international equity funds, domestic and international bond funds, money market funds, sector specialty funds, and socially responsible funds. Tax-exempt bond funds are not offered because such funds provide no added tax-advantage within a tax-deferred 457 program.

You may freely transfer money among mutual funds in the SMA or between the CalPERS core funds and the SMA, provided you maintain a \$1,000 balance in the core funds. When you initiate a transaction, you will receive written confirmation of the trade, and a statement itemizing the investment holdings for the month in which the trade occurred. You will also receive your regular quarterly statement from CalPERS summarizing your total assets in the 457 Plan, including those invested through the SMA.

For the freedom of nearly unlimited investment choice, you must pay the fees charged by the mutual funds you select, which may include front or back-end loads, 12(b)(1) fees and other expenses, as disclosed in the

prospectus supplied by the mutual fund. In addition, you will be assessed the regular plan administration fee of .26%, an annual SMA maintenance fee of \$50, and depending on the mutual fund you select, you may be charged a discount brokerage fee of \$34 per transaction. Over 600 of the mutual funds offered through the SMA, however, are available on a no load, no transaction fee basis.

Although mutual funds acquired through the SMA option are more expensive than the Plan's institutional core funds, the SMA gives you the option to build your own customized investment portfolio within the tax-deferred environment of the CalPERS 457 Plan.

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### **Vesting in the Plan**

Your funds in the CalPERS 457 Plan are held in trust for the exclusive benefit of you and your beneficiaries. You are always 100% vested in your own contributions, employer matching contributions (if applicable) and the investment earnings on those contributions.

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### **Transferring Money Among the Funds**

You can move money between funds in the plan any time by calling the CalPERS Information Line at 1-800-260-0659. Transfers must be made in 1% increments, and will be effective the same business day if made before 1 PM Pacific Time. You cannot transfer money from one fund to another and back to the original fund in the same day. However, you may cancel a transaction if done before 1:00 PM Pacific Time.

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### **Withdrawing Money From Your Account**

The CalPERS 457 Plan is a retirement savings plan. Generally, you cannot withdraw money from your plan account while you are still employed by your employer.

You may, however, make Emergency withdrawals for specific financial hardships prior to separation from employment. Money you withdraw through an emergency withdrawal is subject to income taxes.

Federal tax law severely limits emergency withdrawals to very specific emergency circumstances. Emergency withdrawals may be made only for the following reasons:

- Hardship due to sudden and unexpected illness or accident of the participant or a dependent that is not covered by insurance or other financial resources
- Loss of property due to casualty that is not covered by insurance or other financial resources
- Other similar extraordinary and unforeseeable circumstances and events not covered by insurance or other financial resources

Emergency withdrawals are not available for purposes such as home purchases or tuition expenses. Also, an emergency withdrawal request may be denied if you can relieve the hardship with other financial resources or by ceasing your contributions to the plan.

Call the Information Line at 1-800-260-0659 and speak with a Participant Service Representative if you have a qualifying emergency situation to request an emergency withdrawal form.

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### **Receiving a Distribution**

You have a variety of choices available to you for receiving a distribution of your money in the CalPERS 457 Deferred Compensation Plan once you have separated from service with your employer:

1. You may take a distribution of your money in the plan immediately upon separation, regardless of your age, or whether you are retiring; or you may delay taking a distribution until any later year you select, provided you begin distribution no later than April of the year following the year in which you turn age 70 1/2,
2. You may take a distribution of your money in a lump sum,
3. You may take a distribution of your money in a partial lump sum, with the remainder payable in installments,
4. You may take a distribution of your money entirely in installments, over a payout period you select for as long or as short as you want within your lifetime,
5. You may take a distribution of your money in the form of an annuity payable for your life and that of your beneficiary spouse,

6. You may transfer your money to the 457, 403(b) or 401(k) of another employer for whom you go to work after separating from service with your current employer. Or, you may rollover your money to an Individual Retirement Account (IRA).

The distribution choices and tax rules governing them are complicated. You are encouraged to talk with a tax advisor or financial planner before deciding how to take your distribution.

### Plan Fees

The CalPERS 457 Plan provides its core investments and services at low cost using a simple and fair fee schedule.

Each fund charges an investment management fee. Please see Plan Fee Schedule below for each fund's fees. In addition, the plan charges an administration fee, which is also deducted from each fund's returns, covering all service costs. Together, these fees add to less than one percent per year, no matter what investments you select, or how much you use the plan's services. There are no other fees.

Core Fund Investment Options	Investment Fees	Plan Administration	Total Fees
Money Market Fund	0.2900%	0.2600%	0.5500%
Stable Fixed Income	0.2500%	0.2600%	0.5100%
Bond Fund	0.2900%	0.2600%	0.5500%
S&P 500 Equity Index Fund	0.0900%	0.2600%	0.3500%
Russell 2000 Equity Index Fund	0.2300%	0.2600%	0.4900%
Actively Managed Large Cap Fund	0.6300%	0.2600%	0.8900%
Actively Managed Small Cap Fund	0.6800%	0.2600%	0.9400%
International Equity Fund	0.6800%	0.2600%	0.9400%
Conservative Asset Allocation Fund (Passively Managed)	0.6795%	0.2600%	0.9395%
Moderate Asset Allocation Fund (Passively Managed)	0.6443%	0.2600%	0.9043%
Aggressive Asset Allocation Fund (Passively Managed)	0.6696%	0.2600%	0.9296%

### Keeping Track of Your Account

This Web site offers you the most convenient and efficient way to manage your plan account. Check back as often as you'd like for the most current information available.

An account statement will be mailed to your home address each quarter. Also, anytime you perform a transaction using the CalPERS Plan Information Line, a confirmation statement will be mailed to your home address generally within two to four business days.